USDA Foreign Agricultural Service
GAIN Report
Global Agricultural Information Network

Required Report - public distribution

Date: 4/9/2009
GAIN Report Number: RS9026

Russian Federation

SUGAR ANNUAL

2009

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Report Highlights:
Russian sugar beet production increased 3.6 percent to 29 MMT in MY 2009 even though total acreage planted dropped slightly. This was due mostly to higher sugar content in beets, adoption of better technologies, wider use of inputs, and perfect weather conditions. Refined sugar production in MY 2009 will reach 3.48 MMT, up 8.75 percent from MY 2007 but is expected to drop slightly in MY 2010. Russian imports of raw sugar decreased 11.3 percent in MY 2008 over the previous year with Brazil providing 89 percent of total supply. The Ministry of Agriculture has proposed a new support program for sugar from 2010-2012. The draft program envisions raising the percentage of grain sugar made from domestic sugar beets from 55 percent in 2006 to 67 percent by 2012.

Executive Summary:

Total acreage devoted to sugar beet production decreased slightly in marketing year (MY) 2009 compared to a year earlier but is forecast to increase 2.73 percent in MY 2010. Sugar refineries are in need of a stable supply of domestic raw material for further processing. Russian sugar beet production increased 3.6 percent, to 29 million metric tons (MMT) in MY 2009 even though total acreage planted dropped slightly. This was due mostly to higher sugar content in beets, adoption of better technologies, wider use of inputs, and perfect weather conditions. Sugar beet production in MY 2010 is forecast at 29 MMT as well. Refined sugar production in MY 2009 will reach 3.48 MMT, up 8.75 percent from MY 2007 but is expected to drop slightly in MY 2010. Russian imports of raw sugar decreased 11.3 percent in MY 2008 over the previous year. During this period, Brazil was the leading raw sugar supplier holding 89 percent market share. Poland, Brazil and the United States were the largest exporters of refined sugar to Russia in MY 2008. Prices for refined sugar began to significantly grow beginning January 2009.

The Russian Governmental Commission for Protective Measures in Foreign Trade recommended in March 2009 that the minimum import duty threshold on raw sugar be raised to $165 per MT from $140 per metric ton (MT), while leaving the maximum import duty at level at $270 per MT. The Russian Industrial Sugar Consumers Union demanded a reduction in import duties from $140 per MT to $105 per MT in order to prevent further price hikes for sugar and sugar-containing products. As of December 1, 2008, the seasonal import duty on raw sugar was introduced and can differ from $220 to $270 per MT based on average monthly prices at the New York Board of Trade. These rates remain in effect until May 31, 2009. The Russian Governmental Commission for Protective Measures in Foreign Trade recommended that the existing seasonal duty be shortened by one month but no decision has been made yet to do so. The Ministry of Agriculture has proposed a new support program for sugar from 2010-2012. The draft program envisions raising the percentage of grain sugar made from domestic sugar beets from 55 percent in 2006 to 67 percent by 2012.

Commodities:
Sugar Beets
Sugar, Centrifugal

Production:

In Russia sugar beets are planted in April/May and harvested in September through November. Total sugar beet acreage is forecast to increase 2.73 percent in MY 2010 mostly due to government policy intervention that prevents a drop in acreage and to rising sugar retail prices. Sugar refineries hope to expand their beet production acreage due to concerns that there won't be enough raw materials for traditional processing. Sugar beet sowing dropped 7 percent in MY 2009 as many farmers switched to planting more profitable grains such as winter wheat and rapeseed. Sugar market analysts have stated that Russian sugar beet farmers should focus more on increasing yields than on increasing acreage of planted sugar beets. They also stated that sugar beet production will remain stagnate in MY 2010 due to the lack of available subsidized credit.

The sugar beet harvest increased 4 percent in MY 2009 reaching 29 MMT even though area planted dropped compared to MY 2008. Yields were up 24.3 percent compared to the previous year and reached 36.3 MT per hectare. Sugar beet yield growth was facilitated by growing use of modern technologies, application of inputs of such as fertilizers and pesticides, and widespread use of imported high quality seeds. With better technology and continued adoption of modern management systems, sugar beet yields could reach as high as 45 MT per hectare. For this to happen, more processing facilities will need to be built to handle such a large growth in sugar beet production.

Russia's 76 sugar refineries produced 3.48 MMT of beet sugar in MY 2009 compared to only 3.21 MMT in MY 2008. This is more than half of total domestic consumption, and set an all-time record. The share of total domestic sugar production in MY 2009 reached 59 percent compared to only 37 percent in 2004. Imported raw sugar made up the difference.

In accordance with the State Program for Development of Agriculture and Regulation of Food and Agricultural Markets in 2008-2012, the Russian government envisions raising the percentage of grain sugar made from domestic sugar beets from 55 percent in 2006 to 67 percent by 2012. Sugar market analysts estimate that 53 billion rubles ($1.63 billion) needs to be invested in the sugar processing sector if the goals established in the State Program are to bear fruit.

According to statistical data from the Ministry of Agriculture, the average volume of sugar beet processing per refinery reached 319,000 MT in CY 2008, up from 295,000 MT in CY 2007. The average sugar content in beets reached 14.33 percent (13.27 percent in CY 2007).

Confectionary Industry

Sugar market analysts have stated that domestic production of confectionary will drop 5 percent in 2009 due to the global financial crisis. The first quarter of 2009 indicates that output has already dropped 7 percent. The current financial crisis in Russia began impacting production since October 2008, traditionally the strongest time of the year for confectioners. The average Russian citizen consumed 20.3 kilograms (KG) of confectionary products in 2008, up from 20.1 KG in 2007. Prior to the onset of the financial crisis, chocolate and chocolate candies were gaining market share at the expense of caramel and flour-based confectionary candies. This trend, however, has already begun to reverse itself. In the fourth quarter of 2008, the share of caramel and flour-based confections began to grow. In addition imports of confectionary products, particularly from Ukraine, began to grow rapidly. This development caused domestic producers to lobby the Russian government to introduce import duties on confectionary from Ukraine. Domestic producers already secured a number of favorable customs decisions since 2006 including the cancellation of import duties on cocoa beans, sesame, cashews and peanuts as well as import restrictions on caramel. According to industry contacts, currently 38 enterprises produce 420 brands of chocolate products and 46 factories produce 1,675 brands of individually wrapped candies in the Russian Federation. The 12 largest producers account for 48 percent of national output.

NOTE: The Russian government reports sugar data according to calendar year and does not use a marketing year. However, this report calculates all data according to the international marketing year (Sept/August) unless directly stated otherwise. Therefore, MY 2009 refers to production in late 2008. USDA data on Russian sugar production will not match official Russian statistics due to the difference between reporting time frames.

Table 1. Russia: Production, Supply and Demand Table for Sugar Beets, MY 2008-2010

Sugar Beets Russia	2008	2009	2010
	2007/2008	2008/2009	2009/2010
	Market Year	Market Year	Market Year Begin:

	Begin: Sep 2007			Begin: Sep 2008			Sep 2009		
	Annual Data Displayed		New Post	Annual Data Displayed		New Post	Annual Data Displayed		Jan
			Data			Data			Data
Area Planted, in Thousand Hectares	1 150	1 150	1 150	1 070		1 070			1 100
Area Harvested, in Thousand Hectares	1 100	1 100	1 100	1 070		1 070			1 100
Production, in Thousand MT	24 000	28 000	28 000	23 500		29 000			29 000
Total Supply, in Thousand MT	24 000	28 000	28 000	23 500		29 000			29 000
Utilization for Sugar, in Thousand MT	24 000	28 000	28 000	23 500		29 000			29 000
Utilizing for Alcohol	0	0	0	0		0			0
Total Distribution, in Thousand MT	24 000	28 000	28 000	23 500		29 000			29 000

Table 2. Russia: Production, Supply and Demand Table for Centrifugal Sugar, MY 2008-2010, in Thousand MT

Sugar, Centrifugal Russia	2008			2009			2010		
	2007/2008			2008/2009			2009/2010		
	Market Year Begin: Oct 2007			Market Year Begin: Oct 2008			Market Year Begin: Oct 2009		
	Annual Data Displayed		New Post	Annual Data Displayed		New Post	Annual Data Displayed		Jan
			Data			Data			Data
Beginning Stocks	440	440	440	400		550			750
Beet Sugar Production	3 000	3 000	3 200	2 950		3 480			3 350
Cane Sugar Production	0	0	0	0		0			0
Total Sugar Production	3 000	3 000	3 200	2 950		3 480			3 350
Raw Imports	2 550	2 850	2 800	2 800		2 500			2 200
Refined Imports (Raw Val)	300	300	300	300		300			200
Total Imports	2 850	3 150	3 100	3 100		2 800			2 400
Total Supply	6 290	6 590	6 740	6 450		6 830			6 500
Raw Exports	0	0	0	0		0			0
Refined Exports (Raw Val)	150	200	200	200		200			200
Total Exports	150	200	200	200		200			200
Human Dom. Consumption	5 740	5 990	5 990	5 850		5 880			5 850
Other Disappearance	0	0	0	0		0			0
Total Use	5 740	5 990	5 990	5 850		5 880			5 850

Ending Stocks	400	400	550	400		750			450
Total Distribution	6 290	6 590	6 740	6 450		6 830			6 500

Table 3. Russia: Production of Sugar Beets, CY 2004-2008

	CY 2004	CY 2005	CY 2006	CY 2007	CY 2008
Sugar beet area in 1,000 hectares	850	805	1,003	1,065	819
Sugar beet harvest in 1,000 MT	21,848	21,420	30,861	28,236	29,000
Yield in MT per hectare	25.7	26.6	30.8	29.2	36.3

Source: Russian State Statistics Service

Table 4. Russia: Total Sugar Production, CY 2007-2008

	CY 2007	CY 2008
Total sugar production, in MMT	6.069	5.870
From sugar beet, in MMT	3.223	3,481
From raw sugar, in MMT	2.859	2.389

Source: Russian State Statistics Service

Consumption:

In recent years, overall sugar consumption by the general population has been relatively stable. In MY 2009, demand for sugar is expected to decrease mostly due to falling incomes resulting from the current economic crisis in Russia. Industrial consumption of sugar is expected to drop 2 percent in MY 2009 as output of some sugar containing products – such as canned fruits, wine from grapes, and beer – has slowed since October 2008. Sugar consumption is expected to decrease 1 percent further in MY 2010 because of similar reasons.

Table 5. Russia: Production of Sugar Containing Products, CY 2007-2008

Commodity	CY 2007	CY 2008
Cubic Sugar, in Thousand MT	41	61.4
Canned Fruits, Million Conditional Tins [1]	8,145	7,954
Wine From Grapes, Million Deciliters	51	50
Wine from Fruits, Million Deciliters	3.4	4.0
Beer, Million Deciliters	1,160	1,140

Source: Russian State Statistics Service

[1] 1 conditional tin = 400 grams

Trade:

Russia's sugar market is estimated at approximately 6 MMT per year. Slightly more than half of this amount is produced locally while the deficit in supply is filled with imports of both raw and refined sugar. The Russian Federal Customs Service reported that in MY 2009, Russia imported 2.74 MMT of raw sugar; down 11.3 percent from the previous year. Brazil was the leading supplier of raw sugar to Russia in MY 2009 shipping 88.6 percent of total raw sugar supplies.

Domestic sugar beet producers have managed to lobby the Russian government to establish long-term seasonal duties to boost sugar beet production and support producer incomes by ensuring a level of market stability in regard to prices.

Russian exports of refined sugar dropped significantly in MY 2008 to 56,530 MT, compared to 346,157 MT a year earlier. Russia's main export markets for refined sugar include Kazakhstan, Uzbekistan and Georgia.

Table 6. Russia: Imports of Cane/Raw Solid Form, 170111, by Country, MY 2006-2008, in MT

Rank	Country	MY 2006	MY 2007	MY 2008
	Total	2,421,362	3,070,840	2,724,311
1	Brazil	2,106,944	2,600,966	2,413,215
2	Cuba	55,502	174,822	161,570
3	Thailand	25,498	63,659	91,973
4	India	0	0	26,000
5	Argentina	82,058	126,762	25,799
6	Colombia	26	326	1,756
7	Mauritius	125	998	1,330
8	United Kingdom	0	3	1,104
9	Malawi	0	234	770
10	Germany	328	501	506

Source: World Trade Atlas

Table 7. Russia: Imports of Pure Sucrose, 170199, by Country, MY 2006-2008, in MT

Rank	Country	MY 2006	MY 2007	MY 2008
	Total	114,919	127,112	71,782
1	Poland	68,626	37,844	59,395
2	Brazil	0	19,978	6,550
3	United States	571	791	963

4	United Kingdom	1	35	817
5	Malaysia	850	425	800
6	Mauritius	1,439	2,595	765
7	Thailand	825	575	513
8	Denmark	14	11	423
9	Finland	258	1,869	400
10	Germany	1,524	90	308

Source: World Trade Atlas

Table 8. Russia: Exports Refined Sugar, 1701 by Country, MY 2006-2008, in MT

Rank	Country	MY 2006	MY 2007	MY 2008
	Total	130,809	346,157	56,530
1	Kazakhstan	53,334	123,152	25,442
2	Uzbekistan	8,540	60,544	8,717
3	Georgia	6,131	13,140	7,903
4	Azerbaijan	19,505	9,574	5,238
5	Turkmenistan	947	22,582,	5,063
6	Tajikistan	30,367	86,531	2,237
7	Lithuania	2,014	751	918

Source: World Trade Atlas

Prices

Farmgate prices for sugar beets have grown over the last few years reaching up to 1,600 rubles per MT in MY 2008. This came as a big surprise to farmers as Russia hit a record production year in MY 2008 leading market analysts to predict a drop in prices.

In CY 2008, wholesale prices for refined sugar varied from 15-17 Rubles/KG at refineries located in southern Russia and from 17-20 Rubles/KG in Moscow warehouses. During the first two weeks of January 2009, wholesale prices for sugar increased 27 percent to 20.8 Rubles/KG before peaking at 22.5 Rubles/KG in March 2009. In CY 2008, retail prices for refined sugar varied from 20-35 Rubles/KG. During the first 3 months of 2009, retail prices for refined sugar varied from 30-50 Rubles/KG.

Import prices for sugar increased from $0.32/KG in MY 2007 to $0.38/KG in MY 2008, according to the Russian Federal Customs Service.

Table 9. Russia: Average Farmgate Prices for Sugar Beets

	MY 2002	MY 2003	MY 2004	MY 2005	MY 2006	MY 2007	MY 2008

Price, RU/MT	747	854	847	965	1165	1071	1,300-1,600 [1]
Exchange Rate, RU/USD	32	31	28	28	27	25	25

Source: Russian State Statistics Service

Table 10. Russia: Average Prices for Imported Cane/Beet Sugar, in USD/MT, MY 2006 - 2008

HS Code	Description	MY 2006	MY 2007	MY 2008
17	Sugars	0.44	0.37	0.44
1701	Cane/Beet,	0.4	0.33	0.38
170111	Cane, Raw, Solid Form	0.4	0.32	0.38
170112	Beet, Raw, Solid Form	3.42	3.43	3.9
170191	Refined + Flavor/Color	1.04	1.11	1.24
170199	Other Pure Sucrose, Ref	0.44	0.48	0.45

Source: World Trade Atlas

[1] Food Processing Industry Magazine, #3, 2009, p.10

Policy:

A seasonal duty on raw sugar was introduced in Russia on December 1, 2008. It can vary from $220 to $270 per MT and will remain in effect until May 2009, unless either Russia accedes to the World Trade Organization in the meantime or the New York Board of Trade (NYBOT) average monthly price goes over $259.99 per MT. The duty is introduced during the period in which sugar produced from domestic sugar beets is processed and sold. This keeps cheaper imports of raw sugar from competing with sugar produced from domestic sugar beets. Prior to December 2008, the maximum duty on raw sugar imports was set at $140 per MT.

It was reported in March 2009 that Russia planned to increase the import duty on raw sugar starting June 1, 2009. A Russian Sugar Union official told the Russian media that a working group on agricultural products from the Russian Governmental Commission for Protective Measures in Foreign Trade supported the Sugar Union's proposal to increase the duty to $180-$270 per MT as of June 1, 2009.

On March 4, 2009, a representative from the Russian Ministry of Economic Development reported that the import duty on raw sugar will remain unchanged at $220 per MT in April 2009.

The Ministry of Agriculture has proposed a new support program for sugar from 2010-2012. The draft program envisions raising the percentage of grain sugar made from domestic sugar beets from 55 percent in 2006 to 67 percent by 2012. According to the draft program beet production will grow by 180,000 MT annually and reach 35-36 MMT of sugar beets by 2012.

Author Defined:

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